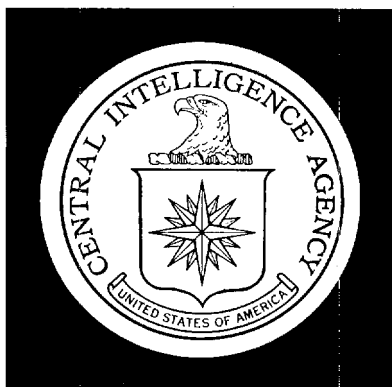


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**Secret**

DIRECTORATE OF  
INTELLIGENCE

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COMMUNIST CHINA - NORTH VIETNAM: Peking took further steps over the weekend to dramatize its close support of Hanoi.

In an editorial in the authoritative People's Daily on 3 July, the Chinese fully endorsed the Vietnamese Communist seven-point proposal as the "correct way for the peaceful settlement of the Vietnam question." Peking's prompt reaction to the Vietnamese proposal is unprecedented, and suggests that Hanoi coordinated its new move with Peking in advance. The Chinese waited five months before acknowledging the ten-point plan advanced by the Vietnamese in May 1969 and delayed for three months their endorsement of the Communists' eight-point plan of September 1970.

Also over the weekend, the Chinese signed a second supplemental military aid agreement of the year with the Vietnamese, under which Peking will supply unspecified equipment and materials on a grant basis. The normal military aid pact for 1971 was signed last October, and the first supplementary agreement was reached in February. The signing of the protocol was accompanied by a warm, high-level reception in Peking for the North Vietnamese military aid delegation.

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COMMUNIST CHINA - JAPAN: Peking appears to be focusing on the Taiwan issue as the key to any improvement in relations with Tokyo.

The Chinese seized on the occasion of the first visit to the mainland of a delegation of members of the Komeito Party--the political arm of the militant Buddhist Soka Gakkai--to spell out "conditions" for Japanese recognition of Peking. According to a joint communiqué issued at the conclusion of the visit, the two sides agreed that: China is "one," and the People's Republic is its sole legitimate government; Taiwan is a province belonging to China; the Japan-Nationalist China treaty of 1951 is illegal and must be abrogated; US military forces now "occupying" Taiwan and the Taiwan Strait must be withdrawn; and Communist China must be seated in all UN organs and Chiang Kai-shek expelled.

These five points were apparently refined in advance of the communiqué. The Chinese side declared that if Tokyo accepted them and took steps to carry them out, the "state of war" between the two countries would terminate, relations could be restored, and a peace treaty signed. In addition, the Chinese raised the possibility of signing a nonaggression pact with Japan.

Peking almost certainly does not expect the present Japanese Government to consider seriously these "maximum demands" as the basis of negotiations for recognition. By defining more clearly its terms for recognition, however, it hopes to capitalize on widespread sentiment in Japan for closer ties with the mainland while limiting the Sato government's room for maneuver on this issue. By zeroing in on the Taiwan problem, the Chinese clearly intend to make it more difficult for Tokyo to steer a course between "two Chinas," particularly with respect to the vote on the China representation issue in the UN General Assembly this autumn. Peking's apprehension about the "two-Chinas" question has become a

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major consideration in its policy toward Japan in view of Tokyo's close economic and political ties with Taiwan and the Sato government's obvious desire to retain a seat for Taipei in the United Nations.

The Chinese Communists may hope to shake Tokyo loose from its present course by suggesting through its overriding emphasis on the Taiwan issue in the Komeito communiqué that other irritants in Sino-Japanese relations, such as the US-Japan Security Treaty and Japanese "remilitarization," are not the primary bilateral issues blocking a restoration of diplomatic relations.



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ARAB STATES: The recent Saudi-Egyptian diplomatic mission to Jordan appears to have eased the strain in Jordan's relations with Egypt.

On 4 July the Jordanian ambassador to Cairo presented his credentials to President Sadat, who replied with praise for King Husayn. This ceremony--which Jordan believed had been deliberately delayed for some time--came shortly after the Saudi-Egyptian diplomatic mission paved the way for a renewal of closer relations between Jordan and Egypt.

Relations between Cairo and Amman have been poor for some time, and the trouble has its roots in several complex issues--Jordanian control of the fedayeen, Egyptian unilateral peace feelers--and conflicts between key personalities on both sides. Egypt has always regarded Jordanian Premier Wasfi Tal as anti-Egyptian because of his outspoken criticism of Nasir,

[REDACTED] A Jordanian state visit to Cairo was canceled abruptly this spring when Sadat refused to receive Tal, despite the fact that he was to accompany King Husayn.

During King Faysal's successful visit to Cairo last month, a joint mission was appointed to compose the differences between Sadat and Husayn. The Saudis now believe that the visit has been successful in thawing the chill in relations. This could ease Jordan's isolation in regional politics and hold the fedayeen more accountable for their behavior. The mission may ultimately benefit Jordan financially, for Egypt has indicated that it will try to get the Libyan and Kuwaiti subsidies restored.

A side trip to Syria brought a further bonus; President Asad indicated eagerness to rejoin the Arab fold, but in light of domestic problems, he asked that Syria not be pushed along too fast. In any event, it is possible that the mission might return to both Syria and Jordan in keeping with its basic goal to eliminate strains between Jordan, the fedayeen, and Jordan's neighbors. [REDACTED]

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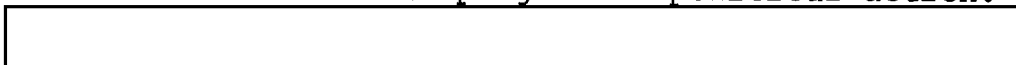
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INDONESIA: The government party, Sekber Golkar, seems headed for a sweeping electoral victory.

Initial returns from the parliamentary elections on 3 July, issued chiefly by the government news service and by Golkar sources, show the government party well ahead, with the traditionalist Moslem party Nahdatul Ulama running second. The secularist National Party is faring badly even in its strongholds in Central and East Java. Predictably, charges of vote manipulation by the government are already being made, but the losing parties have no effective way to translate their frustration into action, and there is little likelihood that any major protest will develop.

The Suharto government's apparent victory seems to ensure it over half of the 360 elected seats in parliament, which--along with the 100 appointed members--puts it in a strong position to continue to press its programs. Its priority goal remains economic improvement.

The government has regarded a successful election outcome as the first step toward restructuring the political party system and further de-emphasizing the traditional parties. Political strategists apparently are thinking in terms of a single mass party developing from Golkar, which itself is a coalition of social and occupational groups. This new organization would enlist support from all significant elements in Indonesian society and hopefully would bridge the societal cleavages that are emphasized by the present parties. The pace at which the government moves toward developing such an organization, however, depends on the amount of attention it is willing to divert in the near future from its economic program to political action.



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JAPAN: The sweeping cabinet reshuffle carried out by Prime Minister Sato on 5 July further strengthens the position of his heir-apparent, Takeo Fukuda. Fukuda was named foreign minister, and one of his top supporters was awarded the key post of secretary-general of the ruling Liberal Democratic Party (LDP). Fukuda's chief rival, Kakuei Tanaka, who resigned as secretary-general last week after the LDP's poor showing in the Upper House elections on 27 June, was given the Ministry of International Trade. Another important prime ministerial aspirant, former defense chief Yasuhiro Nakasone, was named to a top LDP post, which will enable him to broaden his base of party support for a future assault on the prime ministership. The cabinet shift had been expected as a routine matter following the Upper House elections, but the LDP's weak performance almost certainly precipitated more extensive changes than were originally planned.

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SOUTH VIETNAM: Vice President Ky announced yesterday that prominent southern Catholic politician Truong Vinh Le will be his running mate in the presidential election on 3 October. Le, who was National Assembly chairman in the Ngo Dinh Diem government from 1959-1963, narrowly missed election to the Senate in August 1970, when he headed a Thieu-backed list of Catholic moderates. Le's selection will probably gain Ky some support from southerners, Catholics, and splinter groups that would otherwise vote for Thieu, and suggests that Ky is continuing his strategy of trying to weaken the incumbent president's candidacy by raiding former Thieu supporters.

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IRAQ: The Baath regime--the odd-man-out in recent Arab political maneuverings--may be moving back into the arena. Two recent moves by Iraq could be interpreted as attempts to narrow political differences with other Arab states. On 4 July, President Bakr addressed written messages containing Iraq's views on the current Middle East situation to all Arab heads of state and had them delivered personally by trusted colleagues. The same day the regime's official news agency said that Baghdad supports Syria--a frequent political foe--in its current attempts to wring higher transit fees on Iraqi oil crossing Syria from the Iraq Petroleum Company, despite the fact that a shut-down would cut Iraq's oil exports by more than half.



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